

**Review: 4251**  
**Statewide Single Audit**  
**Year Ended June 30, 2005**  
**Department of Public Health**

**05-04. The auditors recommend IDPH review the current process for reporting financial information to the IOC and implement changes necessary to ensure the timely submission of complete and accurate forms. This process should include a reconciliation of the reporting packages to the accounting system and reports submitted to federal agencies. Additionally, IDPH should ensure a supervisory review is performed by a person knowledgeable of the reporting requirements prior to submission to the IOC. (Repeated-2002)**

**Findings:** IDPH does not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) is accurate and timely.

During the review of the financial reporting process, the auditors noted that the IDPH information for the preparation of the State's financial statements and SEFA was not completed in a timely manner. Additionally, several correcting journal entries were required to accurately state amounts reported by IDPH.

In discussing this with IDPH officials, they stated that SEFA and SCO reports were submitted to the Comptroller's Office in a timely manner.

**Response:** The Department concurs with the finding and recommendation. The Department has submitted its GAAP package and the SEFA in accordance with the IOC deadline. The Department will continue working with the Comptroller's Office to improve and enhance the accuracy of its GAAP reporting. We will also work with the IOC, OAG and the other state agencies to ensure that the SCO-567 and SCO-568 adjustments are made timely to avoid late adjustments to the SEFA and the financial statements. The Department will continue reviewing the current GAAP reporting process to identify opportunities for additional improvements.

**Updated Response:** The Department has completed and submitted the FY06 GAAP package and SCO forms to the Comptroller's Office before the due date. All subsequent adjustments to SCO-563 and SCO-567 have been completed and submitted to the Comptroller's Office in a timely manner. The Department is waiting to receive the final adjustments to the SCO-563 and SCO-567 to be able to finalize the SEFA report.

**05-54. The auditors recommend IDPH review its current process for determining eligibility and consider changes necessary to ensure adequate documentation exists to support eligibility determinations. In addition, IDPH should consider implementing procedures to verify income and insurance**

**information with third party sources (i.e. employers, third party insurers, etc.) and other state agencies. (Repeated-2004)**

**Findings:** DPH does not have an adequate process for performing client eligibility determinations for its HIV Care Formula Grant (HIV) program.

The HIV program includes an AIDS Drug Assistance Program (ADAP). The eligibility criteria for ADAP require that the beneficiary: (1) has been diagnosed with HIV/AIDS; (2) is at an income level at or below 400% of the federal poverty level; (3) is not eligible for 80% or greater coverage of drugs through a third party payer; (4) is not eligible for medical assistance through the Medicaid Cluster (Medicaid); and (5) is an Illinois resident. IDPH's current process for determining eligibility involves an individual completing an application and submitting it to IDPH. The application requires the applicant to submit proof of income, insurance, residency, and documentation of a medical diagnosis of HIV/AIDS. Additionally, IDPH confirms with the Illinois Department of Public Aid that the beneficiary is not receiving benefits under Medicaid.

The auditors selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits and noted the following exceptions during testwork:

- In fifteen cases, the case file did not contain documentation supporting the beneficiary had been diagnosed with the HIV disease.
- In 30 cases, the case file did not contain the documentation (i.e. wage statements, check stubs, etc.) used to verify the income reported by the beneficiary on the signed application.

Additionally, in 21 of the 50 cases selected for testwork, the beneficiary's application indicated the beneficiary had no income. Although the individual's income level was below 400% of the poverty level and IDPH confirmed the individual was not receiving benefits under Medicaid, a determination of Medicaid eligibility had not been performed. As a result, no income verification procedures were performed to determine whether the income reported (or lack thereof) was accurate.

In discussing these conditions with IDPH officials, they stated that because the criticality of initiating and continuing to receive life sustaining drug therapies, the Illinois ADAP has utilized the prescription for HIV medications as sufficient proof of diagnosis. Regarding income verification, many of the ADAP applicants are homeless, transient or recently released from correctional facilities and are without income.

**Response:** The Department concurs with the finding and recommendation. Following the last single audit for 2004 which revealed that additional documentation was needed for determining eligibility based on income and HIV status, changes were made to address the issue within the eligibility procedures. These changes were communicated to medical providers, case managers, and all applicants.

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This most recent audit reviewed some client records that were processed prior to the changes that were implemented. ADAP now requires copies of laboratory results showing either CD4 count or viral load. Where there is no reported income, ADAP now requires a letter or affidavit of support from the individual or facility which is providing shelter and/or support. Applications without all required documentation are not processed, but are returned with a cover letter stating what information was missing. ADAP continues to check the Medicaid database for eligibility of each applicant prior to approval for ADAP services and prior to authorization for each refill.

**Updated Response:** The recommendation to implement procedures to verify income and insurance information with third party sources for each AIDS Drug Assistance Program enrolled client has been successfully implemented by the program. The process to obtain the necessary documentation to determine eligibility is often difficult because applicants tend to be more transient, frequently change health care providers, or have an unreliable phone number. IDPH has informed all client case managers that the Department will not process incomplete applications. The application has been revised to include a statement that ONLY complete applications with required documentation will be processed.

**05-55. The auditors recommend IDPH evaluate the current staffing of its monitoring department to ensure resources are adequate to complete reviews within prescribed timeframes. IDPH should also revise the on-site monitoring procedures for its Bioterrorism and HIV programs to include procedures to review the subrecipient's fiscal and administrative capabilities. (Repeated-2004)**

**Findings:** IDPH is not adequately monitoring subrecipients receiving federal awards under its Centers for Disease Control and Prevention – Investigations and Technical Assistance (Bioterrorism) and HIV Care Formula Grants (HIV) programs.

IDPH monitors the subrecipients of the Bioterrorism and HIV programs by (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) performing on-site reviews of compliance with programmatic requirements on a periodic basis (bi-annually for HIV and quarterly for Bioterrorism), and (4) periodic communication of program requirements. During testwork of 30 subrecipients of the Bioterrorism program expending \$3,176,000 and eleven subrecipients of the HIV program expending \$5,346,000, the auditors noted the following exceptions:

- Nine of the HIV subrecipients had not been subject to on-site monitoring procedures in 2004 or 2005 as required by IDPH procedures.
- Two of the on-site reviews for subrecipients of the HIV program did not include procedures to review the subrecipient's fiscal and administrative capabilities and internal controls.
- Three of the Bioterrorism subrecipients have never been subject to on-site programmatic monitoring procedures. Upon further investigation, we noted only local health departments have been subject to on-site monitoring procedures.

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Additionally, IDPH is not performing on-site monitoring procedures to review the fiscal and administrative capabilities and internal controls of subrecipients of any of its Bioterrorism program.

Total subrecipient expenditures for the Bioterrorism and HIV programs were \$19,378,000 and \$6,495,000, respectively, during the year ended June 30, 2005.

In discussing these conditions with IDPH officials, they stated that while much on-site monitoring did occur, staff shortages prohibited all on-site visits from being performed.

**Response:** The Department concurs with the finding and recommendation. Beginning with grants issued during State fiscal year 2006, the Bioterrorism Program regional staff include a review of the sub-recipients' fiscal and administrative capabilities when performing the on-site monitoring. In addition, fiscal staff in the Bioterrorism Program have begun monitoring expenditure reports more closely and will follow up on any delinquent expenditure reports in a timelier manner. A significant number of HIV/AIDS Section positions were vacated in 2005. This has resulted in some inadequate monitoring of our subrecipients. To resolve this, the HIV/AIDS Section has begun to cross train existing staff and identify potential candidates to fill vacant positions.

**Updated Response:** Beginning with the grant period September 1, 2005 through August 31, 2006 and after, reimbursement certification forms are required on bio-terrorism grants. Those forms are reviewed for allowable costs by fiscal staff prior to any payment being processed. The Division of Disaster Planning and Readiness has assigned Regional Emergency Response Coordinators (ERCs) to assist local health departments in their preparedness and response efforts. The Emergency Response Coordinators (ERCs) conduct Quarterly Progress Report meetings with the local health departments in their region as well as facilitating regular individual and regional meetings. Local health department progress on their assigned grant deliverables have been conducted by the ERCs on a regular, periodic basis throughout the grant year. In addition both central office technical experts and the Regional ERCs have coordinated with the OPR Division of Fiscal and Grants Management throughout the grant year to ensure local health department grant spending plans have been matched to their grant mission expectations and deliverables.

The HIV/AIDS Section has hired a new Prevention Programs Administrator who is currently assessing cross training and contractual staff needs. Site visit protocols have been developed and on-site monitoring has begun. Additionally, the OHP Fiscal Officer has been tasked to work with program staff to address this finding.

**05-56. The auditors recommend IDPH establish procedures to ensure all subrecipients receiving federal awards have audits performed in accordance with OMB Circular A-133. Additionally, desk reviews of A-133**

**audit reports should be formally documented using the A-133 desk review checklist in accordance with IDPH's established procedures.**

**Findings:** IDPH does not have an adequate process for ensuring subrecipients of the Centers for Disease Control and Prevention – Investigations and Technical Assistance (Bioterrorism) and HIV Care Formula Grants (HIV) programs have complied with OMB Circular A-133 audit requirements.

IDPH requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDPH finance staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, adverse) and issuing management decisions on findings reported within required timeframes.

During testwork of 30 subrecipients of the Bioterrorism program and eleven subrecipients of the HIV program, the auditors noted the following:

- There were sixteen subrecipients of the Bioterrorism program and eight subrecipients of the HIV program for which no OMB Circular A-133 audit report was received. In addition, these subrecipient files did not contain evidence that follow up procedures had been performed by IDPH to obtain the missing audit reports.
- There were six subrecipients of the Bioterrorism program and one subrecipient of the HIV program for which A-133 audit reports were submitted after the nine month filing deadline. These files contained no documentation IDPH followed up on the delinquent report or approved an extension of the filing deadline.

The standard A-133 audit report desk review checklist was not completed for the fourteen Bioterrorism and three HIV subrecipients selected in our sample for which A-133 reports were received. Additionally, there was no documentation supporting that management decisions had been issued relative to findings identified in these audit reports.

In discussing these conditions with IDPH officials, they stated the employee exclusively assigned to this responsibility retired during state fiscal year 2005 and has not been replaced.

**Response:** The Department concurs with the finding and recommendation. Existing staff within the Division of Accounting Services have attempted to maintain the OMB A-133 sub-recipient responsibilities following the retirement of an employee exclusively assigned to this responsibility. As a result, the follow-up on receiving outstanding audit reports has not been as robust as during previous audit periods. It is apparent that the sub-recipient audit position will need to be filled in order to fully meet the requirements set forth in OMB Circular A-133.

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**Updated Response:** The Division of Accounting Services continues to track sub-recipient audit reports. Since last reported, 98 letters have been sent to sub-recipients requesting their audit reports in a timely manner. Three extensions have been filed. To date, 200 audit reports and/or financial reports have been received. Audit reports are being reviewed for compliance with OMB Circular A-133 requirements by fiscal staff. Any necessary correction action plans are being requested and reviewed.

**05-57. The auditors recommend IDPH review its advance funding policies and techniques for subrecipients and implement a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis. (Repeated-2004)**

**Findings:** IDPH does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Centers for Disease Control and Prevention – Investigations and Technical Assistance (Bioterrorism) program.

The auditors reviewed the subrecipient agreements for 30 subrecipients of the Bioterrorism program and noted the payment terms for these contracts stated the subrecipient would be provided grant funding through an annual or quarterly payment. During testwork, the auditors noted IDPH had not reviewed the cash position of Bioterrorism subrecipients at the time each disbursement was made; however, for purposes of our testwork, IDPH reconciled the cash disbursements made to subrecipient expenditures for our sample of subrecipients. The reconciliations performed demonstrated the subrecipients tested did not receive more than 30 days cash advance. Total payments to subrecipients of the Bioterrorism program were \$19,378,000 during the year ended June 30, 2005.

When funds are provided in advance of expenditure, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

In discussing these conditions with IDPH officials, they stated they were not aware of any specific 30 day guideline in any federal circular or correspondence, but do monitor the immediate cash needs of its subrecipients.

**Updated Response:** Beginning with the grant period August 31, 2005 through August 30, 2006 and after, grantees receiving cash advances now receive only a 30 day advance. Reimbursement forms are also required for the cash advance. Additional payments are not processed unless expenditures exceed the advance amount. The balance of the bio-terrorism grant is paid through monthly reimbursement forms submitted for payment.

**05-58. The auditors recommend IDPH review its procedures for accumulating costs to be allocated through the Public Assistance cost Allocation Plan (PACAP)**

**and implement changes necessary to ensure all direct compensation costs are included.**

**Findings:** IDPH did not allocate certain compensation expenditures to its federal programs through the Public Assistance Cost Allocation Plan (PACAP).

IDPH administers several federal and state programs designed to protect the health of Illinois residents. In administering each of these programs, IDPH incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, the Department has submitted a Cost Allocation Plan to the US Department of Health and Human Services. The Plan is submitted to the USDHHS periodically for review and approval.

During the review of 30 other than personal services expenditures (totaling \$827,008) charged to the HIV Care Formula Grant (HIV) program, the auditors noted two expenditures (totaling \$14,910) made to a state university for an intern assigned to IDPH. The agreement between IDPH and the university indicated the amounts paid to the university were to be used to “cover all costs associated with the intern, including stipend, professional development, tuition, and other intern and university costs associated with the program.” As the payment to the university represents costs to compensate the intern for work performed, these amounts should have been allocated through the PACAP similar to other payroll and fringe benefit type expenditures.

In discussing these conditions with IDPH officials, they stated the department did not consider the internship expenditures to be personal service expenditures.

**Response:** The Department concurs with the finding and recommendation and will ensure the process is in place to allocate all costs associated with the benefited program. The department will obtain a certification from the employee(s) or their direct supervisor to testify that 100% of their time is spent on the designated federal program. This certification will be obtained on quarterly basis and signed by the employee.

**Updated Response:** The Department has completed the necessary certification forms required to allocate the wages of the intern employee to the designated federal program.

**05-59. The auditors recommend IDPH review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that expenditures of other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program.**

**Findings:** IDPH does not have an adequate process for monitoring interagency expenditures used to satisfy the maintenance of effort (MOE) requirement for the HIV Care Formula Grants (HIV) program.

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As the State agency responsible for administering the HIV program, IDPH has executed interagency agreements with IDHS and DCFS which require periodic reporting of summary level expenditure information for preparation of the required financial reports. During testwork over maintenance of effort expenditures, the auditors noted IDPH does not perform monitoring procedures to ascertain that the expenditures used to meet the MOE requirement meet the specific criteria applicable to the HIV program. During the year ended June 30, 2005, IDPH used expenditures totaling \$22,745,000 and \$5,991,000 from IDHS and DCFS, respectively, to satisfy MOE requirements for the HIV program.

In discussing these conditions with IDPH officials, they stated a significant number of HIV/AIDS Section positions were vacated in 2005 which impacted IDPH's ability to review and monitor interagency expenditures.

**Response:** The Department concurs with the finding and recommendation. A significant number of HIV/AIDS Section positions were vacated in 2005. This had impacted our close review and monitoring of interagency expenditures. To resolve this matter, the HIV/AIDS Section has begun to cross train existing staff and identify potential candidates to fill vacant positions. Efforts will also be made to redesign the process for monitoring interagency expenditures.

**Updated Response:** The HIV/AIDS Section has hired a new Direct Service Administrator who is currently assessing cross training and contractual staff needs. Additionally, the OHP Fiscal Officer has been tasked to work with program staff to address this finding. In the interim, existing program staff have been cross trained to assist in completing essential tasks.